Viacom International, Inc. et al v. Youtube, Inc. et al Doc. 82

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

VIACOM INTERNATIONAL INC., COMEDY PARTNERS, COUNTRY MUSIC TELEVISION, INC., PARAMOUNT PICTURES CORPORATION, and BLACK ENTERTAINMENT TELEVISION LLC,	ECF Case
Plaintiffs,	Civil No. 07-CV-2103 (LLS) Related Case No. 1:07-CV-03582
v.	
YOUTUBE, INC., YOUTUBE, LLC, and GOOGLE INC.,	
Defendants.	

MEMORANDUM OF LAW IN OPPOSITION TO PLAINTIFFS' MOTION FOR LEAVE TO FILE FIRST AMENDED COMPLAINT

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Defendants YouTube, Inc., YouTube, LLC, and Google Inc. ("Defendants") submit this opposition to the motion of Plaintiffs Viacom International Inc., Comedy Partners, Country Music Television, Inc., Paramount Pictures Corporation, and Black Entertainment Television LLC ("Plaintiffs") for leave to file an amended complaint in this case. Defendants object to Plaintiffs' motion insofar as it seeks to add a request for punitive damages. That proposed amendment is futile because punitive damages are not an available remedy under the Copyright Act of 1976, which provides the sole basis for Plaintiffs' claims.

BACKGROUND

In keeping with settled principles of copyright law, Plaintiffs' original complaint in this case included no claim for punitive damages. Instead, Plaintiffs pleaded only that they were entitled to choose between the two mutually exclusive kinds of damages that section 504 of the Copyright Act of 1976 makes available to copyright owners: statutory damages and actual damages. *See* Cplt. ¶¶ 49, 55, 61, 69, 78, 87. On January 2, 2008, however, the Plaintiffs sought the Court's permission to file an amended complaint that went beyond those categories to demand punitive damages on each of their infringement claims.[1] Plaintiffs stated that they seek punitive damages if they "elect to recover actual damages and profits rather than statutory damages." Memorandum of Law In Support of Notice of Motion for Leave to File First Amended Complaint at 3 (Jan. 2, 2008) ("Pls. Mem."). By letter to the Court dated January 8, 2008, Defendants objected to Plaintiffs' proposed punitive damages amendment. At a pre-motion conference on January 25, 2008, the Court heard preliminary argument on the issue and invited Defendants to file a memorandum of law responding to Plaintiffs' motion.

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[1] Plaintiffs also sought to amend their complaint to add a claim for infringement of the distribution right conferred by the Copyright Act. Although Defendants believe that this distribution claim is unsustainable, they do not object to an amendment adding it to the case.

ARGUMENT

There is no dispute that leave to amend "shall be freely given when justice so requires." Fed. R. Civ. P. 15(a). "One good reason to deny leave to amend is when such leave would be futile." *Acito v. IMCERA Group, Inc.*, 47 F.3d 47, 55 (2d Cir. 1995); *see also, e.g., Ruffolo v. Oppenheimer & Co.*, 987 F.2d 129, 131 (2d Cir. 1993) (observing that where a proposed amendment "is unlikely to be productive," it is appropriate to deny leave to amend); *Mian v. DLG Securities Corp.*, 1994 WL 494902 (S.D.N.Y. Sept. 9, 1994) (Stanton, J.) (denying leave to amend on futility grounds). An amendment should be rejected as futile "if the proposed claim could not withstand a motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(6)." *Lucente v. IBM Corp.*, 310 F.3d 243, 258 (2d Cir. 2002); *see also S.S. Silberblatt, Inc. v. East Harlem Pilot Block*, 608 F.2d 28, 42 (2d Cir. 1979). In other words, "leave to amend will not be given when 'the proposed change is clearly frivolous or advances a claim or defense that is clearly meritless.'" *Dooner v. NMI Ltd.*, 725 F. Supp. 153, 157 (S.D.N.Y. 1989) (quoting *Slavin v. Benson*, 493 F. Supp. 32, 33 (S.D.N.Y.1980)).

That is precisely the situation with respect to Plaintiffs' proposed punitive damages amendment. "The cases are clear that exemplary or punitive damages should not be awarded in a statutory copyright infringement action." NIMMER ON COPYRIGHT § 14.02[C][2], at 14-33 & n. 176 (2007) (citing cases). This rule is reflected in the Second Circuit's unambiguous statement that "punitive damages are not available under the Copyright Act of 1976." *Oboler v. Goldin*, 714 F.2d 211, 213 (2d Cir. 1983).[2] Courts around the country have echoed that conclusion. *See, e.g.*, *Bucklew v. Hawkins, Ash, Baptie & Co.*, 329 F.3d 923, 931 (7th Cir. 2003) (Posner, J.) (rejecting a requirement that "would add a punitive as distinct from a restitutionary element to copyright damages," because "the statute contains no provision for punitive damages"); *Designs Art v. National Football League Properties, Inc.*, 2000 WL 1919787, at *5 (S.D. Cal. Nov. 27, 2000) ("Punitive damages are not available under the Copyright Act."); *Radji v. Khakbaz*, 1987 WL 11415, at *1 (D.D.C. May 15, 1987) ("[P]unitive damages may not be awarded in a statutory copyright infringement action . . . .").

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[2] Although punitive damages may be available for certain copyright-related claims arising under state law (*Oboler*, 714 F.2d at 213), the Copyright Act expressly preempts all state-law rights and remedies for the works that it covers (15 U.S.C. § 301)). In this case, there is no dispute that *all* of Plaintiffs' claims are governed by the Copyright Act; state law thus is entirely irrelevant to Plaintiffs' request for punitive damages.

The reasons that punitive damages are not a permissible remedy under the Copyright Act are straightforward. The Act specifically and comprehensively describes the kinds of damages for which a copyright infringer may be liable. *See* 17 U.S.C. § 504(a). It offers two alternative forms of damages, "and punitive damages are not provided by either of them." *Leutwyler v. Royal Hashemite Court of Jordan*, 184 F. Supp. 2d 303, 308 (S.D.N.Y. 2001). Section 504(c) authorizes "statutory damages" – a liquidated sum of between $750 and $30,000 for infringements "with respect to any one work." 17 U.S.C. § 504(c)(1). Statutory damages may be increased at the court's discretion to a sum of "not more than" $150,000 if the plaintiff proves that the infringement was "willful." *Id.* § 504(c)(2). Alternatively, section 504(b) allows a copyright owner "to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." *Id.* § 504(b).

For a court to permit recovery of punitive damages as a supplement to these enumerated forms of damages would distort the Act's design, establishing a powerful remedy that Congress could have but did not include in the statute. That result would run afoul of the "elemental canon of statutory construction that where a statute expressly provides a particular remedy or remedies, a court must be chary of reading others into it." *Transamerica Mortgage Advisors, Inc. v. Lewis*, 444 U.S. 11, 19 (1979). This canon is particularly important in the copyright context. The Supreme Court has long instructed that "the protection given to copyrights is wholly statutory" and therefore that the "remedies for infringement 'are only those prescribed by Congress.'" *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 431 (1984) (quoting *Thompson v. Hubbard*, 131 U.S. 123, 151 (1889)). Accordingly, courts have no license to "expand the protections afforded by the copyright without explicit legislative guidance." *Id.* Yet that is what Plaintiffs now ask this Court to do.[3]

Plaintiffs acknowledge that punitive damages would be impermissible insofar as they actually seek statutory damages. That is self-evidently correct given the express cap that section 504(c)(2) imposes on damages imposed for willful infringement. Plaintiffs nevertheless argue that punitive damages may be awarded if they forego statutory damages and chose instead to recover actual damages and profits under section 504(b). *See* Pls. Mem. at 3. On that basis, Plaintiffs suggest that a decision about the availability of punitive damages is premature because that election has not yet been made. But there is absolutely no reason to delay decision, for it is clear that, whatever remedy Plaintiffs ultimately might elect, punitive damages simply are unavailable as a matter of law.

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[3] Plaintiffs have tried to justify their proposed amendment on the ground that the Class Complaint already includes a claim for punitive damages. *See* Letter from Donald B. Verrilli, Jr. to The Hon. Louis L. Stanton at 1 n.1 (Jan. 9, 2008). This argument ignores that the relevant request in the Class Complaint is carefully phrased to seek punitive damages *only* "on all sound recordings protected by state law, or as otherwise permitted by law." Am. Class Action Cplt. 148. Given the established law in this Circuit and elsewhere that punitive damages are not available for statutory infringement claims, the natural reading of the Class Plaintiffs' request is that they seek punitive damages only insofar as their claims arise under sources of law other than the Copyright Act. Although Defendants intend to challenge the Class Plaintiffs' request for punitive damages at the appropriate time, their request undeniably raises distinct legal issues from those presented by Plaintiffs' current proposed amendment, which expressly and impermissibly seeks punitive damages for statutory infringement claims.

Indeed, the argument that Plaintiffs make here was exactly the one that the Second Circuit rejected in *Oboler*. In that case, the Court of Appeals upheld a finding of copyright infringement, but vacated the directed verdict as to damages. The Court then remanded for one of two courses of action: either the plaintiff could elect statutory damages or there would be a jury trial "limited to the issue of actual damages plus infringer's profits." 714 F.2d at 213. The Court's directive that punitive damages are not available under the Copyright Act covered only the latter circumstance, *i.e.*, the plaintiff's decision to elect to seek actual damages under section 504(b). *Id.* Thus, as Judge Lynch has observed, *Oboler* "specifically announces the unavailability of punitive damages where, as here, the plaintiff has renounced statutory damages and seeks only actual damages." *Leutwyler*, 184 F. Supp. 2d at 308 n.4.[4]

The Second Circuit's conclusion is compelled by the structure, language, and purpose of section 504(b). A central purpose of that provision was "to give the courts *specific unambiguous directions* concerning monetary awards, thus avoiding the confusion and uncertainty that have marked the present law on the subject." H.R. Rep. 94-1476, at 161 (Sept. 3, 1976) (emphasis added). To that end, Congress allowed copyright owners who elect to recover under section 504(b) to obtain damages calculated by potentially two – and only two – metrics: (1) "the actual damages suffered by him or her as a result of the infringement" and (2) "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." 17 U.S.C. § 504(b). Both of these sources of damages are objectively measurable and limited by actual accounting realities. Punitive damages are not, and giving

[4] *Leutwyler* also disposes of the argument that *Oboler*'s statements about the unavailability of punitive damages can be dismissed as mere dicta. Judge Lynch observed that "if this is dictum, it is dictum of the most persuasive sort." *Leutwyler*, 184 F. Supp. 2d at 308. Indeed, Second Circuit's pronouncement was hardly some ill-considered aside, but rather was a "carefully considered" and express "direction to the district court" about how to proceed. *Id.* "It would be rash indeed for another district court to disregard that direction on the theory that is was merely dictum." *Id.*

plaintiffs the potential to recover such damages thus would inject into the remedial stages of copyright litigation the very kind of uncertainty that Congress sought to banish.

Moreover, the recovery of profits contemplated by section 504(b), like an award of punitive damages, permits plaintiffs to obtain damages that go beyond what is strictly necessary to make them whole, in order to "prevent the infringer from unfairly benefiting from a wrongful act." H.R. Rep. 94-1476, at 161. But the amount that Congress has permitted plaintiffs to recover in excess of their actual damages is strictly limited, extending only to the profits actually "attributable to the infringement." 17 U.S.C. § 504(b). Emphasizing this limitation, House Report observed that "where some of the defendant's profits result from the infringement and other profits are caused by different factors, it will be necessary for the court to make an apportionment." H.R. Rep. 94-1476, at 161. Allowing a copyright owner who recovers the profits actually attributable to the infringement to obtain punitive damages as well would, by definition, authorize the recovery of money that the defendant has earned from conduct unrelated to the infringement. That is forbidden by the statute. Cf. *Bucklew*, 329 F.3d at 931 ("[T]here is no basis in the law for requiring the infringer to give up more than his gain when it exceeds the copyright owners' loss."). It is clear, therefore, that an unbounded punitive recovery of the kind that Plaintiffs seek here would disrupt the carefully calibrated remedial balance that Congress struck in section 504(b). It would make damages a matter of chance rather than calculation and would sweep aside the Act's strict limitations on the scope and amount of damages that may be awarded to copyright plaintiffs.

Plaintiffs next suggest that barring punitive damages where they may be in a position to elect statutory damages would "frustrate the copyright law policy" that permits copyright owners to choose between actual and statutory damages. Letter from Donald B. Verrilli, Jr. to The Hon.

Louis L. Stanton at 2 (Jan. 9, 2008). That assertion is incorrect. Under section 504, copyright owners remain free to choose between actual and statutory damages. The rule barring punitive damages simply limits owners to those enumerated choices, thereby ensuring that they do not get the benefit of yet a *third option* that is nowhere to be found in the statute. In this respect, it is Plaintiffs' approach that would frustrate the policy reflected in the Copyright Act that willful infringements may warrant increased damages, but only to a point. On Plaintiffs' view, they can evade the cap imposed by section 504(c)(2) simply by choosing not to be bound by it. That makes no sense at all.

In another attempt to delay the inevitable, Plaintiffs suggest that it is premature to rule out their proposed amendment because some of the works they claim to own may not have been registered before the alleged infringement occurred. *See* Letter from Donald B. Verrilli, Jr. to The Hon. Louis L. Stanton at 2-3 (Jan. 9, 2008). But that possibility is irrelevant. As described above, the law is clear that punitive damages are unavailable for statutory infringement claims, no matter what the circumstances. Moreover, works that were not registered at the time of infringement are uniquely ill-suited for punitive damages. With respect to such works, the Copyright Act expressly bars plaintiffs from obtaining statutory damages, limiting copyright owners to the damages provided by section 504(b). *See* 17 U.S.C. § 412. The purpose of section 412 was to "deny any award of the special or 'extraordinary' remedies of statutory damages or attorney's fees where . . . infringement commenced after publication and before registration . . ." H.R. Rep. 94-1476, at 158; *see also Bouchat v. Bon-Ton Dep't Stores, Inc.*, 506 F.3d 315, 329 (4th Cir. 2007) ("By making registration a precondition for the 'extraordinary remedy' of statutory damages, Congress sought to motivate speedy registration."). Where copyright owners neglect to register their works, therefore, they are precluded from obtaining the increased damages that section 504(c) would otherwise provide for acts of willful infringement. It would defy this scheme to allow tardy copyright owners to obtain through the back door of common-law punitive damages the very sort of "extraordinary" remedy for willful infringement that Congress denied them through the front door.[5] Accordingly, the possibility that Plaintiffs may have claims with respect to some works that were not registered provides no basis for making punitive damages available to them – or for delaying decision on this purely legal question.

* * *

Defendants recognize, of course, that this Court previously has allowed a copyright owner to amend her complaint to seek punitive damages. *See Blanch v. Koons*, 329 F. Supp. 2d 568 (S.D.N.Y. 2004). We respectfully submit, however, that *Blanch* should not be followed here. In allowing plaintiff's amendment in that case, the Court was influenced by Judge Marrero's then-recent decision in *TVT Records v. The Island Def Jam Music Group*, 262 F. Supp. 2d 185 (S.D.N.Y. 2003), which contained a "provisional holding" that punitive damages could be sought. *Blanch*, 329 F. Supp. 2d at 570. This Court concluded that, in light of *TVT*, there was just enough uncertainty about the issue to allow the plaintiff to "raise squarely the question whether punitive damages are available to her." *Id.* In so doing, the Court did "not forecast any favorable view of plaintiff's position" and indeed suggested that the "present weight and reason of the law . . . seem strongly against it." *Id.*

At that time, the Court's willingness to see whether *TVT* signaled a new direction in the law may have been prudent. Now, however, *TVT* has been shown to be an aberration, and has been rejected by courts and commentators. The Nimmer treatise, for example, describes *TVT* as a "rogue decision" that "should not be followed in light of the profusion of contrary cases." NIMMER § 14.02[C][2] at 14-34. Taking that advice, courts in this district and around the country have declined to adopt *TVT*'s reasoning and instead have continued to hold that the Copyright Act categorically forecloses punitive damages as a remedy for infringement. *See, e.g., Smith v. New Line Cinema*, 2004 WL 2049232 (S.D.N.Y. Sept. 13, 2004) (Chin, J.) (relying on *Oboler* to dismiss a punitive damages claim on a motion to dismiss); *Curcio Webb LLC, v. National Benefit Programs Agency, Inc.*, 367 F. Supp. 2d 1191, 1196-98 (S.D. Ohio 2005).

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[5] This result in no way disadvantages copyright owners whose works might be infringed immediately after publication, before they had a reasonable chance to register. Section 412 includes a post-publication grace period, allowing owners to obtain statutory damages even for infringement that occurs before registration, so long as the registration "is made within three months after the first publication of the work." 17 U.S.C. § 412(2). A plaintiff who fails to take advantage of this "reasonable opportunity" has no plausible entitlement to extraordinary damages in any form. H.R. Rep. 94-1476, at 158.

Especially noteworthy in this respect is a decision rendered by Judge Pauley subsequent to *Blanch*. In that case, the plaintiffs sought leave to amend to add a claim for punitive damages. They cited *Blanch* to argue "that courts in the Southern District are beginning to recognize that punitive damages may be awarded in copyright actions." *Nicholls v. Tufkenian Import/Export Ventures, Inc.*, No. 04-CV-2110 (WHP), Tr. 5 (attached hereto as Ex. 1 to Declaration of Matthew D. Ingber). Surveying the law – including the statements, described above, from the Second Circuit in *Oboler* and the Supreme Court in *Sony* – Judge Pauley concluded "that *Blanch* is contrary to existing precedent" and denied plaintiffs' motion. *Id.* Another recent decision similarly reaffirmed that "punitive damages are not a remedy available under the Copyright Act" and, as Judge Pauley had done, rejected as "futile" the plaintiffs' request to add a punitive damages claim to their complaint. *Calio v. Sofa Express, Inc.*, 368 F. Supp. 2d 1290, 1291-92 (M.D. Fla. 2005).

This Court should do the same here. Whatever the state of the law when *Blanch* was decided, *TVT* now has proven to be a blind alley. Indeed, Plaintiffs themselves have made no effort to defend Judge Marrero's decision on the merits. And there is no reason to inject into this case a legally meritless request for damages that may only complicate the issues to be addressed during discovery and at trial. The Federal Rules of Civil Procedure certainly do not demand that result. "Although Fed. R. Civ. P. 15(a) provides that leave to amend should be given freely when justice so requires, where, as here, there is no merit in the proposed amendments, leave to amend should be denied." *Health-Chem Corp. v. Baker*, 915 F.2d 805, 810 (2d Cir. 1990).

CONCLUSION

For the reasons given above, Plaintiffs' motion for leave to amend should be denied insofar as Plaintiffs seek to add claims for punitive damages.

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Respectfully submitted,

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